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BELL KNIT INDUSTRIES LIMITED

annual report

FOR THE YEAR ENDED DECEMBER 31, 1969

BELL KNIT INDUSTRIES LIMITED

Board of Directors S. B. ROTMAN M. HANSER
J. W. ROTMAN S. GOODMAN
J. HANSER

Officers S. B. ROTMAN - - - *Chairman of the Board of Directors*
J. W. ROTMAN - - - *President*
M. HANSER - - - *Secretary*

Auditors MESSRS. GREENWOOD, MELTZ, SILVERSTEIN
and GREENWOOD
215 Victoria Street, Toronto

Transfer Agent THE CANADA TRUST COMPANY
and Registrar 110 Yonge Street, Toronto

Legal Counsel MESSRS. DAVIES, WARD & BECK
110 Yonge Street, Toronto

BELL KNIT INDUSTRIES LIMITED

Report of the Directors to the Shareholders

Your directors present herewith the annual report of your Company covering operations for the fiscal year ended December 31st, 1969.

As reported to you in our previous statement, we have now completely phased out our Knitted Outer Wear Operation and have concentrated our efforts on our newly created Worsted and Synthetic Spun Yarns Division, and our Lingerie Division. We are pleased with the results from these operations which are beneficially reflected in our statement.

Your directors are confident that these operations for the year 1970 will continue to show improvement, and that the Company will henceforth continue to function on a profitable basis.

We trust that the enclosed information will be of interest and you are cordially invited to attend the annual meeting of shareholders. Should you be unable to attend the meeting, your execution and return of one of the enclosed forms of proxy, will ensure your representation.

On Behalf of the Board of Directors.

S. B. ROTMAN J. W. ROTMAN

Chairman *President*

DAVIES, WARD & BECK
BARRISTERS & SOLICITORS

ROBERT A. DAVIES, Q.C.
HOWARD L. BECK
LAWRENCE B. HEATH, Q.C.
E. JAMES ARNETT
GEOFFREY D. F. SKERRETT
DAVID A. BROWN

DAVID A. WARD
CHARLES K. OVERLAND
THOMAS I. A. ALLEN
DEREK J. WATCHORN
H. GARFIELD EMERSON
DAVID W. SMITH

TELEPHONE 366-8541
TELEX 06219700
CABLE ADDRESS "KINGLAW"
CANADA TRUST BUILDING
110 YONGE STREET
TORONTO 1, ONTARIO

April 1, 1970.

Financial Editor,
Globe and Mail,
140 King Street West,
Toronto 1, Ontario.

Dear Sir,

Bell Knit Industries Limited

We enclose herewith for your information
a copy of the annual report of the above Company
which report contains a copy of the financial state-
ments of the Company for the fiscal year ended
December 31, 1969.

Yours very truly,



C. K. Overland.

CKO/sm
Encl.



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BELL KNIT INDUSTRIES LIMITED

Auditors' Report to Shareholders

The Shareholders,
BELL KNIT INDUSTRIES LIMITED.

We have examined the Balance Sheet of Bell Knit Industries Limited as at December 31, 1969 and the related Statements of Operations, Shareholders' Equity and Source and Application of Funds for the year ended on that date, and have obtained all the information and explanations we have required. We have made a general review of the Accounting Procedures and have made such tests of the Accounting Records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying Balance Sheet and Statements of Operations, Shareholders' Equity and Source and Application of Funds present fairly the financial position of the Company as at December 31, 1969 and the result of its operations for the period under review, in accordance with generally accepted Accounting Principles applied on a basis consistent with that of the preceding year, except that no charge for Depreciation was made in either period.

Respectfully submitted,

Toronto, Ontario.
January 18, 1970.

GREENWOOD, MELTZ, SILVERSTEIN AND GREENWOOD
Chartered Accountants

BELL KNIT IND

(Incorporated Under the)

Balanc

As at Dec

(With Comparat

Assets

CURRENT:

	1969	1968
Cash on Hand and in Bank - - - - -	\$ 18,579.14	\$ 100.00
Accounts Receivable less Allowance for Doubtful Accounts (1969 — \$800.00; 1968 — \$452.99) - - - - -	219,620.48	217,406.74
Inventories — At lower of Cost or Net Realizable Value Less Normal Profit Margin - - - - -	282,049.65	269,325.30
Shareholders' Accounts - - - - -	21,441.30	17,137.50
Sundry Assets - - - - -	6,045.00	3,193.50
Mortgage Receivable - - - - -	—	257.77
Unamortized Costs re Mortgage — Current Portion - - - - -	1,109.00	1,109.00
	<hr/> <u>\$ 548,844.57</u>	<hr/> <u>\$ 508,529.81</u>

INVESTMENT IN SHARES OF WHOLLY-OWNED SUBSIDIARY — BELL KNITTING MILLS (1964) LIMITED — At Cost - - - - -	\$ 722,200.00	\$ 722,200.00
Less: Note Payable to Subsidiary (Note 2) - - - - -	420,079.70	420,129.70
NET INVESTMENT (Note 3) - - - - -	<hr/> <u>\$ 302,120.30</u>	<hr/> <u>\$ 302,070.30</u>

FIXED: At Cost Less Accumulated Depreciation — per Schedule No. 2 (Note 7) - - - - -	\$ 921,734.54	\$ 921,959.99
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OTHER:

Unamortized Costs re Mortgage Less Current Portion - - - - -	\$ 3,881.41	\$ 4,990.41
Refinancing Expense - - - - -	1,642.80	1,642.80
Patents and Trade Marks - - - - -	990.00	990.00
	<hr/> <u>\$ 6,514.21</u>	<hr/> <u>\$ 7,623.21</u>
TOTAL ASSETS - - - - -	<hr/> <u>\$1,779,213.62</u>	<hr/> <u>\$1,740,183.31</u>

STRIES LIMITED

(Canada Corporations Act)

Schedule No. 1

Balance Sheet

December 31, 1969

(Same Figures for 1968)

Liabilities

CURRENT:

	1969	1968
Bank Indebtedness (Note 4) - - - - -	\$ 455,676.36	\$ 539,112.19
Accounts Payable and Accrued Liabilities - - - - -	207,539.42	192,653.54
Loans Payable — Shareholders - - - - -	6,772.52	1,796.32
Industrial Development Bank Loan — Current Portion (Note 6) - -	42,000.00	42,000.00
Lien Payable - - - - -	—	4,586.00
Federal and Provincial Taxes Payable (Note 10) - - - - -	20,532.01	10,641.22
	<hr/> \$ 732,520.31	<hr/> \$ 790,789.27

DEFERRED:

Industrial Development Bank Loan Less Current Portion (Note 6) - -	\$ 147,000.00	\$ 189,000.00
Debentures Payable (Note 5) - - - - -	84,914.35	94,000.00
	<hr/> \$ 231,914.35	<hr/> \$ 283,000.00
TOTAL LIABILITIES - - - - -	\$ 964,434.66	\$ 1,073,789.27
SHAREHOLDERS' EQUITY — per Schedule No. 3 - - - - -	\$ 814,778.96	\$ 666,394.04
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY - - - - -	\$ 1,779,213.62	\$ 1,740,183.31

The Accompanying Notes form an integral part of this Statement.

This is the Balance Sheet referred to in our Report to the Shareholders dated January 18, 1970.

Approved on Behalf of the Board of Directors:

(Sgd.) J. W. ROTMAN

(Sgd.) M. HANSER

BELL KNIT INDUSTRIES LIMITED

Schedule of Fixed Assets

As at December 31, 1969
 (With Comparative Figures for 1968)

Schedule No. 2

	1969			1968		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Land (Note 6) - -	\$ 80,000.00		\$ 80,000.00	\$ 80,000.00		\$ 80,000.00
Buildings (Note 6) -	324,797.52		324,797.52	324,797.52		324,797.52
Machinery and Equipment (Note 6) - - -	709,212.90	\$275,688.47	433,524.43	712,600.78	\$275,688.47	436,912.31
Vehicles - - - -	13,815.95		13,815.95	13,815.95		13,815.95
Leasehold Improvements - -	6,030.70	714.44	5,316.26	6,030.70	714.44	5,316.26
Kincardine Property — Land and Buildings (Note 8) - - -	64,280.38		64,280.38	61,117.95		61,117.95
	<u>\$1,198,137.45</u>	<u>\$276,402.91</u>	<u>\$921,734.54</u>	<u>\$1,198,362.90</u>	<u>\$276,402.91</u>	<u>\$921,959.99</u>
	(Note 7)	(Note 9)				

Statement of Shareholders' Equity

For Year Ended December 31, 1969
 (With Comparative Figures for 1968)

Schedule No. 3

CAPITAL STOCK

Authorized:

1,250,000 Common Shares — No Par Value

Issued and Fully Paid:

1969	1968
587,189 Common Shares - - - - -	\$ 922,695.00 \$ 922,695.00

DEFICIT ACCOUNT

Balance — January 1 - - - - -	\$ 256,300.96	\$ 288,495.77
Less — Net Profit for Year - - - - -	\$ 139,198.77	\$ 35,246.51
Profit (Loss) on Disposal of Fixed Assets - - - - -	9,186.15	(2,916.70)
Provincial Income Tax Adjustment - - - - -	—	(135.00)
	\$ 148,384.92	\$ 32,194.81

1969	1968	
Balance — December 31 - - - - -	\$ 107,916.04	\$ 256,300.96

1969	1968	
SHAREHOLDERS' EQUITY — December 31 - - - - -	\$ 814,778.96	\$ 666,394.04

() — Denotes Deduction

BELL KNIT INDUSTRIES LIMITED

Statement of Operations

For Year Ended December 31, 1969
(With Comparative Figures for 1968)

Schedule No. 4

	1969	1968
Net Operating Profit before Debenture Interest, Mortgage Interest, Directors' Remuneration and Extraordinary Items - - - - -	\$ 208,939.01	\$ 88,485.08
<i>Less:</i> Debenture and Mortgage Interest (Note 5) - - - - -	<u>\$ 22,107.63</u>	<u>\$ 17,086.57</u>
Directors' Remuneration - - - - -	54,000.00	36,874.00
	<u>\$ 76,107.63</u>	<u>\$ 53,960.57</u>
<i>Add:</i> Investment Income - - - - -	<u>\$ 132,831.38</u>	<u>\$ 34,524.51</u>
1968 Business Tax Refund - - - - -	—	722.00
	<u>6,367.39</u>	<u>—</u>
<i>Net Profit — Transferred to Deficit Account (Note 10)</i> - - - - -	<u>\$ 139,198.77</u>	<u>\$ 35,246.51</u>
<i>Sales for the Year</i> - - - - -	<u>\$1,259,569.33</u>	<u>\$1,241,649.16</u>

Statement of Source and Application of Funds

For Year Ended December 31, 1969
(With Comparative Figures for 1968)

Schedule No. 5

	1969	1968
SOURCE OF FUNDS		
Net Income from Operations before Depreciation - - - - -	\$ 139,198.77	\$ 35,246.51
Proceeds from Sale of Fixed Assets - - - - -	31,157.65	144,491.49
Proceeds from Industrial Development Bank Loan (less Current Portion of \$40,000.00) - - - - -	—	210,000.00
	<u>\$ 170,356.42</u>	<u>\$ 389,738.00</u>
APPLICATION OF FUNDS		
Fixed Asset Additions - - - - -	\$ 21,746.05	\$ 85,258.48
Repayment of Industrial Development Bank Loan - - - - -	42,000.00	21,000.00
Sundries — Net - - - - -	(1,059.00)	5,843.21
Retirement of Lien Notes - - - - -	—	4,586.00
Repayment of Debenture Principal - - - - -	9,085.65	—
	<u>\$ 71,772.70</u>	<u>\$ 116,687.69</u>
DECREASE IN WORKING CAPITAL DEFICIT - - - - -	<u>\$ (98,583.72)</u>	<u>\$ (273,050.31)</u>
WORKING CAPITAL DEFICIT — BEGINNING OF YEAR - - - - -	<u>282,259.46</u>	<u>555,309.77</u>
WORKING CAPITAL DEFICIT — END OF YEAR - - - - -	<u>\$ 183,675.74</u>	<u>\$ 282,259.46</u>

(—) Denotes Deduction

BELL KNIT INDUSTRIES LIMITED

Notes to Financial Statements For Year Ended December 31, 1969

1. LETTERS OF CREDIT OUTSTANDING — \$63,773.78

2. NOTE PAYABLE

The Note Payable, an unsecured note, without interest was due on May 29, 1969. Bell Knitting Mills (1964) Limited has agreed with the Company that so long as the Company is indebted to the Industrial Development Bank, no payment of principal under the note shall be made or demanded.

3. NET INVESTMENT IN WHOLLY OWNED SUBSIDIARY — (NON-OPERATING)

The net investment in the wholly owned subsidiary represents —

- (a) The value of 6,750 shares of Bell Knit Industries Limited acquired prior to acquisition and retained by the subsidiary, and
- (b) The excess of the Company's cost for the shares of the wholly owned subsidiary over the book value of the subsidiary's fixed assets at the time of acquisition.

4. BANK INDEBTEDNESS

The Bank Indebtedness amounting to \$455,676.36 is secured by —

- (a) Assignment of Book Debts.
- (b) Assignment of Inventory under Section 88 of the Bank Act.
- (c) Floating Debenture secured by property located at 89 and 91 Tycos Drive, Toronto, Ontario in the amount of \$1,000,000.00 subject to conditions as set out in Note 6 below.

5. DEBENTURE PAYABLE — ESTATE OF MINNIE ROTMAN

The 7% Debenture Payable was due May 29, 1969 and is secured by a Mortgage on the Company's property located at 89 and 91 Tycos Drive, Toronto, Ontario. The Executors of the Estate have agreed with the Company that as long as the Company is indebted to the Industrial Development Bank with respect to the present loan, no payment of principal under the debenture shall be made or demanded. The Executors of the Estate agreed to waive the interest on the debenture for the period from January 1 to June 30, 1969. Said interest would be \$3,290.00. For 1968 total interest for the year amounting to \$6,580.00 was waived.

6. INDUSTRIAL DEVELOPMENT BANK LOAN — \$169,000.00

On March 13, 1968, as a result of an Application made by the Company, the Industrial Development Bank advanced to the Company a loan of \$250,000.00. The Company has given as Security for this loan, a first mortgage on the land and building located at 91 Tycos Drive, Toronto, Ontario as well as a First Chattel Mortgage on all machinery and equipment (excepting knitting equipment) then owned by the Company and to be subsequently acquired. As a further condition to the loan, the Industrial Development Bank received a postponement as to the Security and Principal repayment of the \$94,000.00 Debenture.

ture held by the Estate of Minnie Rotman as well as a postponement of the \$420,179.70 unsecured Notes Payable due to Bell Knitting Mills (1964) Limited for a period of at least 5 years from the present due date of May 29, 1969.

Also the Industrial Development Bank has received a postponement as to the Security and Principal of the Debenture held by the Royal Bank of Canada. The loan is repayable in monthly instalments of \$3,500.00 each together with interest at the rate of 8½% per annum. The loan matures on June 23, 1974.

7. FIXED ASSETS

On September 18, 1968, Cooper Appraisals Limited appraised the Land, Buildings and Equipment located in Toronto. Had this appraisal been reflected on the books of the Company, the Fixed Assets would appear in the financial statements as follows:

Fixed:

Land — at appraised value	\$ 218,310.00
Buildings — at appraised value	816,819.00
Equipment — (less Disposals) — at appraised value plus additions at cost	899,331.83
Kincardine Property — at cost	64,280.38
Vehicles — at cost	13,815.95
	<hr/>
	\$2,012,557.16

8. KINCARDINE PROPERTY

The Company, during 1968, made a payment of \$17,717.95 covering taxes for the period 1964-1968. Since this property has not been in use for the last number of years, this amount, as well as taxes paid in 1969 in the amount of \$3,162.43, has been added to the cost of the property.

9. DEPRECIATION

The operations have not been charged with depreciation for the period under review. Had depreciation been charged, based on book values, the operations would have shown a net profit of \$31,045.97. The Company had adopted a policy in prior years of charging losses and crediting profits on the disposal of equipment to accumulated depreciation. In accordance with this policy a profit on disposal of certain knitting equipment during 1968, amounting to \$34,285.77, was credited to Accumulated Depreciation. In 1969 the Company decided to change this policy and therefore a profit on the sale of certain equipment amounting to \$9,186.15 has been credited to accumulated earnings. The Company has claimed for purposes of income tax, Capital Cost Allowance in the amount of \$81,047.85 representing 50% of the maximum available for the current year.

10. FEDERAL AND PROVINCIAL TAXES PAYABLE

As a result of prior year losses carried forward, no provision has been made for Federal and Provincial Income Taxes on the Net Profit for the year.

11. RENTAL EXPENSE

Mr. S. Rotman, owner of the property at 2466 Dundas Street West, which is presently leased to the Company, agreed to waive the rental with respect to the property for the period from January 1, 1968 to June 30, 1968, said rental amounting to \$4,250.00. With respect to the period from July 1, 1968 to December 31, 1968, Mr. Rotman agreed to rent the property on the basis of \$800.00 per month. This rent has continued at \$800.00 per month since that date.

12. DISCONTINUANCE OF KNITWEAR DEPARTMENT

In 1967, as a result of the continued heavy importation of foreign produced knit goods into Canada, the Directors of the Company decided to discontinue the manufacture of knitwear. In 1968 the Company completed the phasing out of this operation and as a result, the knitwear department incurred a loss of approximately \$45,000.00.

DAVIES, WARD & BECK
BARRISTERS & SOLICITORS

ROBERT A. DAVIES, Q.C.
HOWARD L. BECK
LAWRENCE B. HEATH, Q.C.
THOMAS I. A. ALLEN
DEREK J. WATCHORN
H. GARFIELD EMERSON

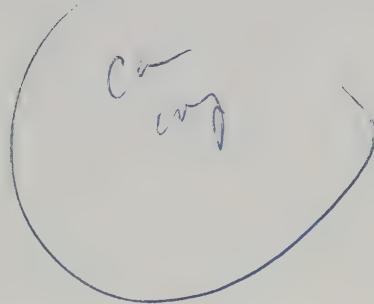
DAVID A. WARD
CHARLES K. OVERLAND
RONALD J. FARANO
E. JAMES ARNETT
GEOFFREY D. F. SKERRITT
DAVID A. BROWN

TELEPHONE 366-8541

CABLE ADDRESS "KINGLAW"

CANADA TRUST BUILDING
110 YONGE STREET
TORONTO 1, ONTARIO

August 8, 1969.



Financial Editor,
Globe and Mail,
140 King Street West,
Toronto 1, Ontario.

Dear Sirs,

Bell Knit Industries Limited

We enclose herewith for your information
a copy of the unaudited interim financial report
of Bell Knit Industries Limited for the period
from January 1, 1969 to June 30, 1969.

Yours very truly,



C. K. Overland.

CKO/sm
Encl.

BELL KNIT INDUSTRIES LIMITED

UNAUDITED INTERIM FINANCIAL STATEMENT

For Period from January 1, 1969 to June 30, 1969

BELL KNIT INDUSTRIES LIMITED
 (Incorporated Under the Canada Corporations Act)
UNAUDITED INTERIM BALANCE SHEET
As at June 30, 1969
(With Unaudited Comparative Figures for 1968)

	1969	1968
<u>ASSETS</u>		
<u>Current:</u>		
Cash on Hand and in Bank	\$ 740.31	\$ 735.12
Accounts Receivable - (Less Allowance for Doubtful Accounts 1969-\$677.10 - 1968-\$500.00) -	<u>326,021.11</u>	207,517.70
Estimated Inventory - At Lower of Cost or Net Realizable Value, less Normal Profit Margin	319,500.00	353,863.00
Shareholders' Accounts <i>[Handwritten note: Advances to directors - not repaid]</i>	17,506.19	15,224.44
Sundry Assets	29,166.93	8,859.57
Mortgage Receivable	- 257.77	320.16
	<u>\$ 693,192.31</u>	<u>\$ 586,519.99</u>
Investment in Cospun Mills Limited - (Shares and Advances - Note 1) <i>[Handwritten note: ? =]</i>	<u>\$ -</u>	\$ 1,000.00
Investment in Shares of Wholly-Owned Subsidiary - Bell Knitting Mills (1964) Limited - At Cost <i>[Handwritten note: less: Note Payable to Subsidiary - (Note 2)]</i>	\$ 722,200.00	\$ 722,200.00
	<u>420,079.70</u>	<u>420,129.70</u>
	<u>Net Investment - (Note 3)</u>	<u>\$ 302,120.30</u>
Fixed: - At Cost less Accumulated Depreciation (Note 7) <i>[Handwritten note: ↓ 910,617.38]</i>	<u>\$ 910,617.38</u>	<u>\$ 895,690.83</u>
Other:		
Unamortized Mortgage Loan Costs <i>[Handwritten note: inactive subsidiary]</i>	\$ 5,544.91	\$ 5,355.98
Organization Expense	1,642.80	1,642.80
Patents and Trade Marks	990.00	990.00
	<u>\$ 8,177.71</u>	<u>\$ 7,988.78</u>
	<u>Total Assets</u> <i>[Handwritten note: → \$ 1,914,107.70]</i>	<u>\$ 1,793,269.90</u>
<u>LIABILITIES</u>		
<u>Current:</u>		
Bank Indebtedness - (Note 4)	\$ 569,629.55	\$ 553,084.14
Accounts Payable and Accrued Liabilities		
- Trade	313,822.20	220,707.58
- Equipment	2,045.56	15,550.85
Lien Payable	914.00	8,258.00
Loan Payable - Current Portion (Note 6) <i>[Handwritten note: year 1968 \$3500]</i>	42,000.00	40,000.00
Federal and Provincial Taxes Payable (Note 10)	14,839.57	12,299.62
	<u>\$ 943,250.88</u>	<u>\$ 849,900.19</u>
Deferred:		
Loans Payable - Less Current Portion (Note 6)	168,000.00	210,000.00
Debenture Payable - (Note 5)	94,000.00	94,000.00
	<u>Total Liabilities</u> <i>[Handwritten note: → \$ 1,205,250.88]</i>	<u>\$ 1,153,900.19</u>
<u>SHAREHOLDERS' EQUITY</u>	<u>\$ 708,856.82</u>	<u>\$ 639,369.71</u>

The Accompanying Notes form an integral part of this Statement.

BELL KNIT INDUSTRIES LIMITED

UNAUDITED INTERIM STATEMENT OF SHAREHOLDERS' EQUITY

For Period from January 1, 1969 to June 30, 1969

(With Unaudited Comparative Figures for 1968)

	<u>1969</u>	<u>1968</u>
<u>CAPITAL STOCK</u>		
Authorized:		\$ 2.50 - 3.00 =
1,250,000 Common Shares - No Par Value		issue price to 75. E.
<u>Issued and Fully Paid:</u>		
587,189 Common Shares	1.57	\$ 922,695.00
		closely held ⇒
<u>ACCUMULATED DEFICIT</u>		
Balance - January 1	\$ 256,300.96	\$ 288,495.77
Less: Net Profit for Period	42,462.78	8,087.18
Loss on Disposal of Vehicle	(2,916.70)	
Balance - June 30	<u>\$ 213,838.18</u>	<u>\$ 283,325.29</u>
<u>SHAREHOLDERS' EQUITY - June 30</u>	<u>\$ 708,856.82</u>	<u>\$ 639,369.71</u>

UNAUDITED INTERIM STATEMENT OF PROFIT AND LOSS

For Period from January 1, 1969 to June 30, 1969

(With Unaudited Comparative Figures for 1968)

	<u>1969</u>	<u>1968</u>
Net Operating Profit before Debenture Interest, Mortgage Loan Interest, Directors' Remuneration and Depreciation	<u>\$ 67,140.64</u>	<u>\$ 22,107.18</u>
Less: Debenture and Mortgage Loan Interest (Note 5) Directors' Remuneration	<u>\$ 9,977.89</u> <u>14,699.97</u> <u>\$ 24,677.86</u>	<u>\$ -</u> <u>14,020.00</u> <u>\$ 14,020.00</u>
Net Profit - Transferred to Accumulated Deficit (Note 10)	<u>\$ 42,462.78</u>	<u>\$ 8,087.18</u>

NOTE: Sales for Six Months ended June 30 amounted to +2.7% \$ 578,662.54 \$ 563,644.51

$$\begin{array}{r}
 14 \quad 413,462.78 \\
 \hline
 578,662.54 \\
 \hline
 8001.16 \quad 564,500.00 \\
 \hline
 564,500.00 \quad 579,142.00
 \end{array}$$

BELL KNIT INDUSTRIES LIMITED

UNAUDITED INTERIM STATEMENT OF FIXED ASSETS

As at June 30, 1969

(With Unaudited Comparative Figures for 1968)

BELL KNIT INDUSTRIES LIMITED
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
For the Period from January 1, 1969 to June 30, 1969

1. Investment in Cospun Mills Limited

The Company's investment represented a 50% interest in Cospun Mills Limited. In the latter part of 1968 this company was wound up. The investment in the share capital was returned along with a dividend of \$ 722.00.

2. Note Payable

The Note Payable is an unsecured note, without interest and was due on May 29, 1969 subject to conditions as set out in Note 6 below.

3. Net Investment in Wholly Owned Subsidiary - (Non-Operating)

The net investment in the wholly owned subsidiary represents -

- (a) the value of 6,750 shares of Bell Knit Industries Limited acquired prior to acquisition and retained by the subsidiary, and
(b) the excess of the Company's cost for the shares of the wholly owned subsidiary over the book value of the subsidiary's fixed assets at the time of acquisition.

4. Bank Indebtedness

The Bank Indebtedness is secured by -

- (a) Assignment of Book Debts
(b) Assignment of Inventory under Section 88 of the Bank Act.
(c) Floating Debenture secured by property located at 89 and 91 Tykos Drive, Toronto, Ontario in the amount of \$1,000,000.00 subject to conditions as set out in Note 6 below.

5. Debenture Payable - Estate of Minnie Rotman

The 7% Debenture Payable was due May 29, 1969 and is secured by a Mortgage on the Company's property located at 89 and 91 Tykos Drive, Toronto, Ontario. Under the terms of the Debenture no principal payments are due until maturity, but the Company has the option, on 30 days notice, to repay the whole or any part thereof, subject to conditions as set out in Note 6 below. The Executors of the Estate have agreed to waive the interest on the Debenture for the year ended December 31, 1968 and for the six months ended June 30, 1969. Said interest would be \$6,580.00 and \$3,290.00 respectively.

6. Industrial Development Bank Loan

On March 13, 1968, as a result of an Application made by the Company, the Industrial Development Bank advanced to the Company a loan of \$250,000.00. The Company has given as Security for this loan, a first mortgage on the land and building located at 91 Tykos Drive, Toronto, Ontario as well as a First Chattel Mortgage on all machinery and equipment (excepting knitting equipment) then owned by the Company and to be subsequently acquired. As a further condition to the Loan, the Industrial Development Bank received a postponement as to the Security and Principal repayment of the \$94,000.00 Debenture held by the Estate of Minnie Rotman as well as a postponement of the \$420,179.70 unsecured Notes Payable due to Bell Knitting Mills (1964) Limited for a period of at least 5 years from the present due date of May 29, 1969. Also the Industrial Development Bank has received a postponement as to the Security and Principal of the Debenture held by the Royal Bank of Canada. The loan is repayable in monthly instalments of \$3,500.00 each, together with interest at the rate of 8½% per annum. The loan matures on June 23, 1974.

don't own
level
debenture
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even be listed
→ Ratman → 29 May -
another 5 years:
re-finance fairly leaving
expansion 67-68:
foreign imports

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

7. Fixed Assets

On September 18, 1968, Cooper Appraisals Limited appraised the Land, Buildings and Equipment located in Toronto. Had this appraisal been reflected on the books of the Company, the Fixed Assets would appear in the financial statements as follows:

Fixed:

Land - at appraised value	\$ 218,310.00
Buildings - at appraised value	816,819.00
Equipment - at appraised value plus additions at cost	897,450.21
Kincardine Property - at cost	64,280.38
Vehicles - at cost	13,815.95
	<hr/>
	\$ 2,010,675.54

8. Kincardine Property

In 1967, as a result of tax arrears, the property was vested in the Town of Kincardine and was subject to redemption on or before September 5, 1968. The Company, during 1968, made a payment of \$17,717.95 covering taxes for the period 1964-1968. Since this property has not been in use for the last number of years, this amount has been added to the cost of the property as well as the taxes for 1969 in the amount of \$2,162.43.

9. Depreciation

The operations have not been charged with depreciation for the periods under review.

10. Federal and Provincial Taxes Payable

As a result of prior year losses carried forward, no provision has been made for Federal and Provincial Income Taxes on the Net Profit for the period.

11. Rental Expense

Mr. S. Rotman, owner of the property at 2466 Dundas Street West, which is presently leased to the Company, agreed to waive the rental with respect to the property for the period from January 1, 1968 to June 30, 1968, said rental amounting to \$4,250.00. With respect to the period from July 1, 1968 to December 31, 1968, Mr. Rotman has agreed to rent the property on the basis of \$800.00 per month. Thereafter, this rent is to continue at \$800.00 per month on a monthly basis.

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 basic factor - new bus

=> involved investing
interest in knit goods -

just yarn -

spin, dye -

sell to weavers

direct to ~~butlers~~
sales

second half should
be strongly =>

Joseph Rotman
Pres: